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ARIZONA CORPORATION COMMISSION

06D

February 10, 2006

Mr. Michael Webber
Gold Canyon Sewer Company
12725 W. Indian School Road, Suite D-101
Phoenix, AZ 85323

RE: GOLD CANYON SEWER COMPANY – APPLICATION FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON, DOCKET NO. SW-02519A-06-0015

LETTER OF DEFICIENCY

Dear Mr. Webber:

In reference to your rate application received on January 13, 2006, this letter is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff has found several deficiencies with your application, which are listed on a separate attachment. The 30-day sufficiency determination period will begin anew when the company corrects the deficiencies and Docket Control receives an original and sixteen copies of the corrected pages.

You have 15 calendar days, or until February 27, 2006, to correct the deficiencies or make other arrangements with Staff to remedy your rate application. If the corrections or other arrangements are not made by the above date, Staff will request your docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and sixteen copies of an updated application at a later date.

The Staff person assigned to your application is Crystal Brown. She can be reached at (602) 542-0564, or toll free at (800) 222-7000, if you have any questions or concerns.

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DOCKET CONTROL

Sincerely,

James Dorf

Chief, Financial & Regulatory Analysis Section
Utilities Division

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Service List for: Gold Canyon Sewer Company
Docket No. SW-02519A-06-0015

Docket Control Center (sixteen copies)
Lyn Farmer, Hearing Division
Delbert Smith, Engineering
Consumer Services
Legal Division

Mr. Thomas Bourassa
139 W. Wood Drive
Phoenix, Arizona 85029

Mr. Jay L. Shapiro
Fennemore Craig, P.C.
3003 North Central Avenue, Ste. 2600
Phoenix, Arizona 85012

GOLD CANYON SEWER COMPANY -- LIST OF DEFICIENCIES

1. Bill Count and Other "H" Schedules – Please provide all "H" Schedules using actual revenues and billing determinants.
2. Income Tax, Schedule C-2, Adjustment No. 10 – Please provide a discussion and a detailed schedule showing the income tax calculation.
3. Common Equity, Schedule D-1 and Schedule E-1 – Common equity of \$14,443,665 shown in Schedule D-1, lines 3 and 5 does not match common equity of \$14,552,186 shown in Schedule E-1, line 32.
4. Comparative Data, "E" Schedules – Please provide all comparative data shown on the "E" Schedules using the same 12 month ending period (i.e., ending October 31st for the years 2005, 2004, and 2003).
5. Year End Customers and Annual Revenue, Schedule E-7 – Please provide the Test Year information for year end number of customers and annual revenue per year end customer.
6. Payables to Associated Companies, Schedules E-1 and E-3 – The Company had changes in the Accounts Payable to Associated Companies of \$2,683,551 over the 12 month period ended 10/31/2005. It also had an increase in Accounts Payable to Associated Companies of \$23,201 between 12/31/2004 and 10/31/2005. This implies that the Company made net payments of \$2,706,752 between 10/31/04 to 12/31/04. Please provide a detailed explanation of the source of the funds to make these net payments and why the Company owed the amount to its affiliate. The table below summarizes the calculation of the \$2,706,752.

	Payables to Associated Companies		
	10/31/2005	Change	12/31/2004
Balance Sheet, Sch E-1, Line 16	\$462,478	\$23,201	\$439,277
Cash Flow Stmtnt, Sch E-3, Line 16		<2,683,551>	
Total		<2,706,752>	

Additional Information

In Decision No. 64186, the Commission ordered Gold Canyon Sewer Company to file annual hook up fee reports beginning January 31, 2003. As of February 1, 2006, no hook-up fee reports have been filed. Please provide the reports.